

Decision \_\_\_\_\_

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Southern California Edison Company (U338E) for Authority to Establish Its Authorized Cost of Capital for Utility Operations for 2013 and to Reset the Annual Cost of Capital Adjustment Mechanism.

Application 12-04-015  
(Filed April 20, 2012)

And related matters.

Application 12-04-016  
Application 12-04-017  
Application 12-04-018

**Decision Granting Joint Petition for Modification of Decision 13-03-015****Summary**

This decision approves the Joint Petition for Modification of Decision 13-03-015 filed by Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, Southern California Gas Company, Office of Ratepayer Advocates, and The Utility Reform Network. The changes approved in this decision preclude the Utilities from using the existing Cost of Capital Mechanism before the next cost of capital applications are due on April 20, 2017, thus the effective cost of capital will not change before 2018.

**1. Discussion**

Decision (D.) 13-03-015, among other things, continued the Cost of Capital Mechanism (CCM) unchanged, applied it to Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, and Southern California Gas Company (collectively, "the Utilities"), and required the Utilities to file test year 2016 cost-of-capital applications on April 20, 2015. The

CCM provides a mechanism for the Utilities to “automatically adjust their revenue requirements based on utility bond rate changes in each year that the utilities are not required to file a cost of capital (COC) application.”<sup>1</sup> D.13-03-015 closed the proceeding.

By letter dated December 24, 2014, the Executive Director extended the filing date for cost-of-capital applications by one year, to April 20, 2016. By letter dated November 25, 2015, the Executive Director again extended the filing date, so that the next cost-of-capital applications are now due April 20, 2017, for test year 2018.

In the December 23, 2015 Joint Petition for Modification, the Utilities, along with Office of Ratepayer Advocates and The Utility Reform Network (collectively “Petitioners”) mutually agree to request no changes to costs of capital for 2017 and request certain changes to D.13-03-015 to effectuate that intent. These changes, in combination, preclude the Utilities from using the CCM before the next cost of capital applications are due on April 20, 2017. Petitioners list the following requested changes to D.13-03-015:<sup>2</sup>

On page 2, change the first sentence of the last paragraph as indicated:

In any year except 2016, where the difference between the current 12-month October through September average Moody’s utility bond index rate and an established benchmark exceeds a 100-basis points deadband, an automatic adjustment to the utilities’ return on equity would be made as follows:

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<sup>1</sup> D.13-03-015 at 2.

<sup>2</sup> Joint Petition for Modification at 5.

Change Ordering Paragraph (OP) 4 on page 10 as shown:

Southern California Edison Company, San Diego Gas & Electric Company, Southern California Gas Company, and Pacific Gas and Electric Company shall file their next cost of capital application on April 20, ~~2015~~2017 for a test year ~~2016~~2018.

Add a new sentence to the end of OP 5 on page 10:

This paragraph shall not be applicable to determining authorized costs of capital for 2017.

In combination, these changes eliminate any possibility of changes in any of the Utilities' authorized costs of capital before 2018 and have no other effects (beyond reflecting changes already approved by the Executive Director). No party contests these changes.

Petitioners present interest rate forecasts from 2012 (the time of the underlying proceeding) for 2013 compared to 2015 forecasts for 2017; the comparison reveals a slight increase in interest rates over time. Based on this small change, we agree with Petitioners that holding the cost of capital constant at this time is reasonable.

The Joint Petition for Modification satisfies the procedural requirements of Rule 16.4. Notably, consistent with Rule 16.4(d), Petitioners explain that they could not have logically filed the Petition for Modification within one year of D.13-03-015. The requested modifications to D.13-03-015 are reasonable and should be approved.

## **2. Waiver of Comment Period**

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code

and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

### **3. Assignment of Proceeding**

Michel Peter Florio is the assigned Commissioner and Kevin Dudney is the assigned Administrative Law Judge in this proceeding.

### **Findings of Fact**

1. The proposed changes to D.13-03-015 eliminate any possibility of changes in any of the Utilities' authorized costs of capital before 2018 and have no other effects (beyond reflecting changes already approved by the Executive Director).

2. No party contests these changes.

3. It is reasonable to eliminate any possibility of changes in any of the Utilities' authorized costs of capital before 2018.

4. The requested modifications to D.13-03-015 are reasonable in light of the whole record.

5. The Joint Petition for Modification satisfies the procedural requirements of Rule 16.4.

### **Conclusion of Law**

1. The proposed changes to D.13-03-015 should be approved.

## **O R D E R**

**IT IS ORDERED** that:

1. Decision 13-03-015 is modified as follows:

a) On page 2, change the first sentence of the last paragraph as indicated:

In any year except 2016, where the difference between the current 12-month October through September average Moody's utility bond index rate and an established

benchmark exceeds a 100-basis points deadband, an automatic adjustment to the utilities' return on equity would be made as follows:

b) Change Ordering Paragraph 4 on page 10 as shown:

Southern California Edison Company, San Diego Gas & Electric Company, Southern California Gas Company, and Pacific Gas and Electric Company shall file their next cost of capital application on April 20, ~~2015~~2017 for a test year ~~2016~~2018.

c) Add a new sentence to the end of Ordering Paragraph 5 on page 10:

This paragraph shall not be applicable to determining authorized costs of capital for 2017.

2. Application 12-04-015, Application 12-04-016, Application 12-04-017, and Application 12-04-018 are closed.

This order is effective today.

Dated \_\_\_\_\_, 2016, at San Francisco, California.